

Volume One: The Program and Its Process

2000 DWSRF Application Deadline Monday – July 3, 2000

DWSRF Loan Terms

Loan Limit:	\$3,000,000 per water system \$6,000,000 for joint projects (Contact DOH for more information)
Loan Term:	Life of the project or 20 years (Whichever is less)
Time of Completion:	36 months from loan execution
Interest Rate:	0.0% - 2.5% (Linked with local income level)
Local Match:	No local match is required
Loan Fee	2.0%

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DEPARTMENT OF HEALTH

DWSRF STAFF AND REGIONAL OFFICES

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Department of Health, Drinking Water Regional Offices	
<p>Eastern Regional Office 1500 West 4th Avenue, Suite 305 Spokane, Washington 99204 (509) 456-3115</p> <p>Counties served: Adams, Asotin, Benton, Chelan, Columbia, Douglas, Ferry, Franklin, Garfield, Grant, Kittitas, Klickitat, Lincoln, Okanogan, Pend Oreille, Spokane, Stevens, Walla Walla, Whitman and Yakima</p>	<p>Southwest Regional Office Post Office Box 47823 Olympia, Washington 98504-7823 (360) 664-0768</p> <p>Counties served: Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Kitsap, Lewis, Mason, Pacific, Skamania, Thurston and Wahkiakum</p>
<p>Northwest Regional Office 1511 Third Avenue, Suite 719 Seattle, Washington 98101 (206) 464-7670</p> <p>Counties served: Island, King, Pierce, San Juan, Skagit, Snohomish and Whatcom</p>	

PUBLIC WORKS BOARD

REGIONAL ACCOUNT EXECUTIVES

Regional Account Executives (RAEs) are your primary contacts for all matters dealing with DWSRF loan services, including the development of your DWSRF loan application. They are supported by the Contracts and Information Workgroup, which handles routine contract matters, fund transfers to clients, and loan billings.	
Region 1 counties include: Ferry, Island, Okanogan, Pend Oreille, San Juan, Skagit, Snohomish, Stevens, Whatcom	Leslie Hafford (360) 586-1310 leslieh@cted.wa.gov
Region 2 counties include: King	Isaac Huang (360) 586-0659 isaach@cted.wa.gov
Region 3 counties include: Chelan, Clallam, Douglas, Grays Harbor, Kitsap, Kittitas, Pierce	Denise K. (Van Housen) Fry (360) 753-4283 denisev@cted.wa.gov
Region 4 counties include: Adams, Grant, Jefferson, Lincoln, Mason, Spokane, Thurston, Whitman	Enid Z. Melendez (360) 753-4307 enidm@cted.wa.gov
Region 5 counties include: Asotin, Benton, Clark, Columbia, Cowlitz, Franklin, Garfield, Klickitat, Lewis, Pacific, Skamania, Wahkiakum, Walla Walla, Yakima	Terry Dale (360) 664-0407 terryd@cted.wa.gov
For more information, contact your Regional Account Executive or call 360/586-4172. The Public Works Board website is located at www.crab.wa.gov/pwtf. You may also write to: Public Works Board, Post Office Box 48319, Olympia, Washington 98504-8319.	

What's New for 2000?

Rates and Terms

- Interest Rates Reduced
- Maximum Loan Amount Increased
- More Counties Qualify for Distressed County Interest Rates

Project Cost

- Amended service metering requirements eliminate service meter requirements for mobile home parks and apartment complexes.

Priority Ranking

- Lower priority for refinancing of surface water projects constructed prior to January 1, 1999.
- Additional point available for having the project included in the local comprehensive plan.

System Capacity Requirements

- Must obtain DOH approval on required Water System Plan, Plan Amendment, or Small Water System Management Program by **December 31, 2000**, or the application will be removed from the priority funding list.

Eligibility Project

- Emergency generators will generally not be eligible unless they are part of a large system upgrade.

Overview

General Information

The Drinking Water State Revolving Fund (DWSRF) Guidelines are divided into three volumes.

- Volume 1 is an overview of the DWSRF and how it works.
- Volume 2 consists of the forms necessary to apply for a loan.
- Volume 3 is the Appendix with relevant information and policies.

These guidelines describe how to apply for a DWSRF loan and are not intended to be a comprehensive listing or explanation of all applicable laws, statutes, and policies. Additional information is available by contacting the Public Works Board (PWB) Regional Account Executive or the Department of Health (DOH) Regional Office for your area.

Chapter 1: Introduction

In 1996, Congress established the Drinking Water State Revolving Fund (DWSRF) through the reauthorization of the federal Safe Drinking Water Act.

Jointly managed by the Washington State Department of Health and the Washington State Public Works Board, this low-interest loan program assists publicly and privately owned systems and is intended to improve drinking water systems and protect public health.

Chapter 2: Eligibility

Eligible Applicants: (See Volume 3 for more detail)

Privately and publicly owned water systems may be eligible for a DWSRF loan if they have no outstanding debt with the Department of Health and have an approved Water System Plan/Small Water System Management Program in place by **December 31, 2000**. The program is limited to Group “A” water systems or to Group B or individual water systems that would become Group “A” systems as a result of the projects.

Privately owned for-profit and nonprofit water systems serving residential communities are eligible. Examples of these community water systems include:

- Housing subdivisions;
- Manufactured home parks; and
- Apartment complexes.

Privately owned water systems serving non-residential communities are eligible if the owner is a federally recognized non-profit entity. Examples of these non-community water systems may include:

- Churches;
- Day schools; and
- Camp grounds.

Publicly owned water systems serving residential communities, or non-residential communities are eligible applicants. Eligible publicly owned water systems include those owned by:

- City governments;
- County governments;
- Public Utility Districts; or
- Special Purpose Districts.

Water systems owned by tribal governments are eligible for DWSRF loan only if they cannot obtain funding through the National Tribal Set-Aside established under the Safe Drinking Water Act.

Ineligible Applicants: (See Volume 3 for more detail)

Water systems owned by the federal government or Washington State are not eligible for this program.

Eligible Projects and Activities: (See Volume 3 for more detail)

DWSRF monies may be used:

- To address existing water system problems that may cause a drinking water system to exceed health standards as defined by the Safe Drinking Water Act.
- To replace aging infrastructure in order to maintain compliance or to further public health protection goals of the Safe Drinking Water Act.
- To acquire real property from a willing seller if it is integral to meeting or maintaining compliance and further public health protection.
- For planning and design costs directly related to an eligible project.
- For water conservation projects. (**Note:** The Environmental Protection Agency (EPA) currently limits this use to installation of meters that are owned by the system.)
- For reservoirs (clear wells) that are part of the treatment process and are co-located with the treatment facility.
- For distribution reservoirs (finished water).
- For existing systems connecting to a municipal water supply.
- For creation of a new Group “A” system.

Group B systems or individual water supply systems may apply for DWSRF assistance provided that they meet all of the following conditions:

1. Upon completion of the project, the system will be a Group A community water system;
2. The project must address existing public health problems that pose serious risks;
3. The project must be limited in scope to the specific geographic area affected by the contamination;
4. The project must be a cost-effective solution to solving the public health problem;
5. The applicant must have given sufficient public notice to potentially affected parties and considered alternative solution to address the problem; and
6. The project can only be sized to accommodate a reasonable amount of growth expected over the life of the facility and growth cannot be a substantial portion of the project.

Please note that publicly owned water systems may use loan dollars to restructure or consolidate existing water systems (e.g., a municipally owned Satellite Management Agency acquires a water system).

Also, projects to address surface water treatment problems may be refinanced when they have been incurred by a municipal, inter-municipal or interstate water system after July 1, 1993. **NOTE:** Projects constructed prior to January 1, 1999, will receive a relatively low score during the priority ranking process.

Ineligible Projects and Activities: (See Volume 3 for more detail)

DWSRF monies may not be used:

- For dams, or rehabilitation of dams.
- For raw water reservoirs. * *See note in Volume 3.*
- For water rights, unless the water rights are owned by a system that is being purchased through consolidation as part of a “system capacity” development strategy.
- For laboratory fees for monitoring.
- For operation and maintenance expenses.
- For projects primarily intended to enhance fire protection.
- For projects primarily intended to serve future growth.
- For costs incurred by privately owned systems associated with restructuring of system.
- For Group B systems or individual water supply systems, unless the systems are being consolidated into a Group A system.
- For “rolling stock,” such as emergency generators, that is not an integral part of a larger project.

Chapter 3: Loan Requirements

Matrix of Terms:

Applicant’s Income Level	Interest Rate	Loan Fee*	Loan Repayment Period
Water system is not located in a distressed county.	2.5% fixed	2%	Twenty (20) years or life of the project, whichever is less
Water system is located in an economically distressed county. (See Appendix)	1.5% fixed	2%	Twenty (20) years or life of the project, whichever is less
Applicant’s income survey demonstrates that 51% of the water system households are at 80% or below the county’s median income. Please contact your Regional Account Executive.	1.5% fixed	2%	Twenty (20) years or life of the project, whichever is less
Applicant’s survey demonstrates that 51% of the water system households are at 50% or below the county’s median income. Please contact your Regional Account Executive.	0.0% fixed	2%	Thirty (30) years or life of the project, whichever is less
Maximum Award			
A maximum of \$3,000,000 may be awarded to each water system applying this loan cycle. Multiple owners of one project (shared facilities) or satellite management agencies that are restructuring (combining) systems may combine loan limits up to a maximum of \$6,000,000.			
Local Match Requirement			
No local match is required.			
Loan Fee			
The loan fee is not subject to the loan limit, (e.g., for a project budgeted at \$2 million, the applicant can apply for a \$2,040,000 loan -- \$2 million for the project plus the \$40,000 loan fee). The loan fee is paid when the first loan draw is made. Loan fees are non-refundable.			

Potential Costs:

In addition to the two percent (2%) loan fee and interest rate to be paid on the loan's principal, there are other potential costs associated with this loan. These can include, but are not limited to:

- ❑ Source and/or Service Metering
- ❑ Environmental review
- ❑ Competitive bidding
- ❑ Audit costs
- ❑ Insurance costs
- ❑ Prevailing wage
- ❑ Attorney's fees
- ❑ Minority & Women-owned Business Enterprise

Loan Security:

In advance of the loan agreement signing, Public Works Board staff will negotiate a reasonable loan security package with the applicant.

Loan Draws:

The program operates on a reimbursement basis. The water system sends a voucher with supporting documentation to the PWB for reimbursement.

Loan Repayment:

First year payment is an interest-only payment on monies borrowed to date. There is no payment towards the principal in the first year. Payments in subsequent years cover a portion of the principal plus interest on the balance. The first loan draw initiates the accrual of interest.

The borrower makes the first loan repayment in October 2002. Recipients may repay their loans at a faster rate than indicated in the loan agreement without penalty.

Caution on Application:

As mentioned above, there are a variety of potential costs associated with obtaining a DWSRF loan (e.g., environmental review, competitive bidding, prevailing wage, audits, etc.). Generally, these are standard operating practices for publicly owned water systems. However, these may be new considerations for privately owned systems.

If the loan applicant is a privately owned water system applying for a loan that is less than \$50,000, it may be useful to discuss the project with the Regional Account Executive prior to submitting an application.

Chapter 4: Selection and Approval Process

Once the Department of Health (DOH) receives a completed DWSRF loan application, the selection process begins. DOH evaluates each application for eligibility and system capacity. Once this is completed, DOH priority ranks all eligible applications. The prioritized applications are then forwarded to the Public Works Board (PWB) staff.

PWB staff evaluates each application for creditworthiness, ability to repay the loans, and readiness to proceed with the project. A list of loan applications that meet these requirements is forwarded to the Public Works Board for approval. PWB staff conducts an environmental review of each proposed project.

DOH's ranked list of eligible projects is placed into a draft *Intended Use Plan* and posted for a thirty-day public review. From this, a final *Intended Use Plan* is developed and sent to the U.S. Environmental Protection Agency (EPA) for review and approval.

Eligible applications will be offered assistance in priority order until all funds have been obligated or all applications are funded.

Each eligible application approved via this process is then ready for a loan agreement to be negotiated and executed between the applicant and the Public Works Board.

Step 1 - Eligibility Review (DOH):

This review includes a check of the water system's compliance status with the DWSRF regulations. DOH may contact applicants or other federal, state, or local agencies, to clarify or verify information contained or referenced in an application. The following is the criteria used to prioritize:

- Applicant must be an eligible entity.
- Applicants must have a DOH approved Small Water System Management Program or a Water System Plan in place by **December 31, 2000**.
- Proposed project(s) must be an eligible project(s).
- Proposed project(s) is/are in compliance with state land use planning (e.g. Growth Management Act).
- Applicants in Significant Noncompliance (SNC) with any requirement of a national primary drinking water regulation or variance must ensure that the proposed project(s) will bring them into compliance.
- Applicants must have a meter(s) on all source(s) at project completion.
- Applicants must have meters on all services at project completion, unless the system demonstrates that this is not a cost effective conservation measure. Certain types of projects, e.g. transient noncommunity systems, mobile home parks and apartment complexes will automatically have this requirement waived by DOH as not being cost effective.
- Applicants must comply with system capacity requirements. (See Step 2.)

When a proposed project does not meet all of the eligibility criteria, applicants will be disqualified. Applicants are given ten working days from the date of disqualification notification to submit a letter along with supporting documentation to DOH asking for reconsideration. This letter should explain how the proposed project meets the eligibility criteria listed here.

Step 2 – System Capacity Review (DOH):

An applicant must demonstrate that the system meets system capacity requirements. DOH will consider the system to be in compliance with this requirement if:

- The proposed project is listed in the applicant's Water System Plan which has been approved by DOH; or DOH has approved a Small Water System Management Program and a project report justifying the need for and feasibility of the proposed project;
 - The water system has a satisfactory operating permit status; and
 - The system is in compliance with any active enforcement actions, if applicable (including DOH – issued departmental orders, penalties, bilateral compliance agreements or federally issued administrative orders or stipulated penalties).
- Projects ranking high enough, yet not currently meeting the system capacity requirements may still qualify for a loan if the applicant documents compliance as part of the proposed project. The applicant may receive a commitment for a DWSRF loan, and loan proceeds may be used to reimburse the water system for securing the needed documentation. Under no circumstances will loan funds be released to the water system until after the documentation has been approved by DOH.

The deadline for receiving DOH approval of the Water System Plan, Plan Amendment, or Small Water System Management Program is December 31, 2000. Failure to complete this activity will result in the project being removed from the fundable project list.

Step – 3 Priority Ranking (DOH):

A critical element in the priority ranking is the applicant's definition of the risk or problem that the proposed project is designed to eliminate. This information must be clearly presented in order for the proposed project to be accurately ranked.

DOH staff develops a prioritized project list by ranking each application using the score sheet contained in Volume 3. Below are the ranking considerations.

- Type of public health risk that will be eliminated or minimized by the proposed project (e.g. microbial, primary inorganic chemical, or other primary chemical).
- Type of project proposed (e.g. new source, source reconstruction, or treatment).
- Additional points may be received for the following:
 - Compliance status;
 - Restructuring;
 - Regional benefit;
 - Multiple benefit;
 - Affordability (applicable only to community water systems); and
 - GMA compliance.

Step – 4 Financial Review (PWB):

Applicants and applications are reviewed for the following:

- Financial ability to repay the loan;
- Readiness to proceed with the project;
- Ability to complete the project; and
- Adequate security, to assure repayment of the loan should default occur.

Once an application passes this review, it is presented to the Public Works Board for approval. When approved, the application is listed in the draft *Intended Use Plan* to be approved by EPA.

Applicants unable to demonstrate ability to repay the loan, or having insufficient security, or projects that are not ready to proceed will be bypassed on the loan list. DOH and PWB staff will offer technical assistance to bypassed applicants in order for applicants to meet program requirements and reapply for funding in a subsequent loan cycle.

If an applicant does not agree with PWB staff's recommendation regarding a particular project, the applicant may request a review by the Board. A written request for a review must be received two weeks in advance of a Board meeting. (A schedule of meetings can be located in the State Register, on the Public Works Board website at www.crab.wa.gov/pwtf, or by calling the Public Works Board receptionist at 360/586-4172.)

The Board decision is the final determination of applicant's status.

Step – 5 Environmental Review (PWB):

The State Environmental Review Process (SERP) identifies and analyzes potential environmental impacts that could result from a DWSRF funded project. This review is done in compliance with the National Environmental Policy Act (NEPA) and the State Environmental Policy Act (SEPA).

Public Works Board staff reviews the environmental documents associated with the proposed project. A site visit may occur, and the assistance of the state's Office of Archeology and Historic Preservation and/or other agencies dealing with historic or environmental impacts may be required.

Any proposed DWSRF projects using other federal funding that require NEPA review (e.g. Community Development Block Grant or USDA/Rural Development) may use the most stringent environmental review process to comply with DWSRF requirements.

Step – 6 Intended Use Plan (Environmental Protection Agency [EPA]):

The *Intended Use Plan* is a federally required document that forms the basis of the public review process. It provides public notice and outlines the state's intent to loan funds for specific projects. It also serves as the vehicle for awarding EPA dollars to Washington State.

The following are the steps taken to complete the *Intended Use Plan*:

Draft *Intended Use Plan*

The draft *Intended Use Plan* includes a prioritized list of proposed projects that have been evaluated and deemed eligible for DWSRF by DOH. This prioritized list is put out for public review and comment for 30 days. A public hearing on the draft *Intended Use Plan* is held during this time.

Final *Intended Use Plan*

After the 30-day public review and comment period, the final *Intended Use Plan* is developed. This final version incorporates comments from the public hearing. The final *Intended Use Plan* is submitted to EPA enabling DOH to receive the federal dollars for the DWSRF loans.

Step – 7 Loan Offers (PWB):

The approval of the *Intended Use Plan* by the EPA allows the PWB staff to begin negotiating and offering loans. With successful negotiation, a loan offer is made and a loan agreement is sent to the applicant. The applicant has 90 days from the date the loan agreement is mailed to complete and return the loan agreement or request a time extension.